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TAGS: [ECON](#) [PGOV](#) [EFIN](#) [PREL](#) [IZ](#)
SUBJECT: BABIL PROVINCIAL GOV'T HOLDS FRUITFUL DISCUSSION WITH NAT'L
REPS ON BUDGET EXECUTION, ECONOMIC DEVELOPMENT

REF: BAGHDAD 3024

CLASSIFIED BY: Mary H. Witt, PRT Leader, PRT Babil, REO
Al-Hillah, U.S. Department of State.
REASON: 1.4 (b), (d)

11. (U) This is a PRT Babil Cable.

12. (C) On September 20, representatives from Deputy Prime Minister (DPM) Barham Saleh's office travelled to Al-Hillah to meet with Babil Governor Salem Saleh Mahdi Al-Muslimawi, members of the Babil Provincial Council (PC) and provincial directors general (DGs) to discuss provincial budget execution and economic development. Recurring themes at today's meeting included discussion on funding levels along with the rate of budget disbursement from the national government and funding requests for specific industrial and infrastructure projects. Members of the Babil PRT and embassy econoff attended as observers making it clear that the discussion was an Iraqi one with no direct role for the USG other than logistical support. The meeting, which was held at the governor's office, served as a preparatory meeting for a subsequent forum on the same topics (similar to the September 6 event held for Anbar - reftel - and an earlier DPM engagement in Diyala), to include higher-level national government participation including Saleh and possibly the ministers of finance and public works.

13. (C) Budget execution and funding levels provoked the most discussion during the meeting. Praise for Babil's successful meeting of GOI Ministry of Finance (MOF) benchmarks for budget execution was unanimous -- indeed, the DPM's staff cited this as the principal reason the DPM had chosen Babil as the next province with which to move forward on his "Forum" initiative. At the same time, members of the Babil PC and the various DGs expressed their frustration at the late disbursement of funds from the national government as well as what they deemed to be insufficient funds provided to the province up to now. Of particular concern to PC members and DGs were long-term strategic projects such as roads, hospitals, and public works projects which could not be funded in one year due to the duration of the construction period. Consequently, they claimed, the province cannot file accurate yearly funding requests. Compounding this rigidity, the Babil officials also complained about the late disbursement of funds from Baghdad (despite their having met all the benchmarks), which has slowed down their ability to expend funds. All these factors combine to cause construction halts and (in some cases) the need to provide letters of credit to contractors in order to ensure unimpeded work. PC members and the DGs requested permission to increase budgetary flexibility by allowing for fiscal year "roll-over" capability. Babil officials also expressed their wish that Baghdad announce the amount of total funds available before the province filed its annual funding request, while the DPM staffers countered that it would be best if the province continued with the current requirement that it place its request

with the national government first. These disputes aside, however, the DPM's staff looked forward to continuing the dialogue and asked for a list of candidates by Monday for training in disbursement procedures under the micro-credit and home loan programs likely to be part of the economic initiatives announced at a future "Babil Forum".

¶4. (C) After the conclusion of the meeting, the DPM's staffers met with members of the Babil PRT, visiting Embassy Baghdad econoff, and MNF-I STRATEGIC EFFECTS team to discuss a draft program for the Babil Forum. A tentative program includes meetings at the governor's office, Provincial Council, a meeting with Babil sheikhs, and a press conference. PRT will continue to coordinate with Embassy Baghdad and Babil officials.

¶5. (C) Comment: Most observers of provincial reconstruction have noted a broad disconnect in outlook and approach between the national and provincial governments. With its control of the purse strings, national government support of provincial reconstruction is crucial. While the September 20 meeting between Baghdad and Babil officials underscored continuing differences in outlook, it holds out hope for a channel towards convergence of priorities. Although the DPM's "Forum" initiatives are not yet clearly part of any systematized GOI-generated provincial outreach process, DPM Saleh has sought to refine the approach with each event to obtain earlier ministerial and Prime Minister buy-in and approval of financing.

Consequently, Saleh may become a facilitator of GOI - Provincial communication, and continuing the dialogue between the two is essential to forging mutual cooperation in the reconstruction effort. End comment.

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